

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2000-0123-C - ORDER NO. 2000-756
OCTOBER 2, 2000

IN RE: Application of PF.Net Network Service)	ORDER
Corporation for a Certificate of Public)	GRANTING
Convenience and Necessity To Provide)	CERTIFICATE FOR
Resold and Facilities-Based Interexchange)	INTEREXCHANGE
Telecommunications Services Within the)	AUTHORITY
State of South Carolina.)	

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of PF.Net Network Services Corp. ("PF.Net" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to provide resold and facilities-based interexchange telecommunications services throughout the State of South Carolina. The Company's Application was filed pursuant to S.C. Code Ann. § 58-9-280 (Supp. 1999) and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed the Company to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of PF.Net's Application and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. The Company complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene were filed.

A hearing was convened on August 23, 2000, at 10:30 a.m. in the Commission's Hearing Room at 101 Executive Center Drive, Columbia, South Carolina. The Honorable William Saunders, Chairman, presided. PF.Net was represented by Faye A. Flowers, Esquire. Adelaide D. Kline, Staff Counsel, represented the Commission Staff.

Matt Wetzel, Vice President of PF.Net, appeared and testified in support of the Application. According to the testimony, at PF.Net, Mr. Wetzel is responsible for the development of the network. He testified he has nine years of telecommunications experience, was the co-founder of a competitive local exchange on the west coast of the United States, and has been with PF.Net for two years. Mr. Wetzel testified as to PF.Net's technical, managerial, and financial ability to provide telecommunications services in South Carolina.

Upon receiving certification from this Commission, PF.Net will provide a broad range of telecommunications services, including resold and facilities-based interexchange services. PF.Net seeks to provide these services utilizing a combination of its own facilities, and where necessary, resold facilities of other carriers. PF.Net intends to construct, with the assistance of its sister company, PF.Net Construction Corp., a facilities-based dedicated and private line fiber optic communications infrastructure that will be leased to communications carriers and large corporate/government customers on a point-to-point basis for high-bandwidth secure voice and data networks. PF.Net may later expand its offerings to include a full range of retail offerings, including, but not limited to, direct dialed (1+) service, as market conditions and opportunities develop. He

estimated it will be three to five years before the Company expands its services to include (1+) service.

Mr. Wetzel testified that PF.Net is building a long haul fiber network that will cross into South Carolina and run through the Greenville and Spartanburg areas of the state. He offered that the Company will anticipate starting services in South Carolina during the second or third quarter of 2001. The record reveals the Company's network is capable of using the highest commercially available capacity transmission (OC-192) and, therefore, can support advanced capacity-intensive data applications such as frame relay, ATM, multimedia and Internet-related applications. PF.Net also intends to install state-of-the art telecommunications equipment that will be able to connect its network to its targeted customers, end offices and tandems and interexchange carrier networks. As each customer is obtained, PF.Net states that service will be provisioned either on PF.Net's own internal fiber-optic network or by leasing transmission facilities provided by other carriers. Initially, PF.Net states it will be reselling the services of other carriers while its facilities are being built, and once it has completed the initial build-out of its network, PF.Net will move this traffic onto its own network and actively begin selling services on a wholesale basis. The Application states that PF.Net initially will provide high-bandwidth fiber optic point-to-point capacity to Internet and telecommunications companies on a wholesale basis. Such arrangements will be made available to similarly situated customers on a non-discriminatory basis. Mr. Wetzel testified that PF.Net will be selling dark fiber as an asset sale with rates being set on an individual basis.

PF.Net was formed to provide dedicated resold and facilities-based point-to-point interexchange services. As of the date of the hearing, the Company is currently certified to provide its services in ten states and is in the process of seeking authority, where required, to provide competitive intrastate interexchange telecommunications services throughout the United States. PF.Net is currently providing services in all states in which it is certified. The Company had not had authority denied in any state where it had applied for authority nor had the Company had authority revoked in any state where it had been granted authority. Furthermore, PF.Net had never been the subject of an investigation by a state or federal regulatory body nor had the Company been fined or sanctioned by any state or federal regulatory body.

PF.Net will use direct marketing methods to market its services to business customers. The Company's customers will include local exchange companies, competitive local exchange carriers (CLECs), and cable and wireless companies. If PF.Net later decides to use telemarketing, it will provide the Commission with copies of its telemarketing scripts and telemarketing procedures and/or training materials for its telemarketers. Mr. Wetzel indicated that the Company is familiar with the Commission's marketing guidelines.

During the hearing, Mr. Wetzel testified that PF.Net will amend its tariff so that it complies with all the Commission's rules and regulations. He stated that billing services for PF.Net will be an internal function generated out of an Oracle database. The Company's customer service toll free telephone number is 1-800-757-3457. The Company's toll free customer service telephone number and name and address are

printed on all customer invoices. Phillip D. Wright is the regulatory contact person for PF.Net.

The testimony reveals further that PF.Net has the requisite financial resources to provide telecommunications services in South Carolina. Mr. Wetzel's testimony reveals that the name of the ultimate parent company of PF.Net has changed from PF.Net Holdings, Limited to PF.Net Communications, Inc. and that PF.Net will rely on the financial resources of its parent company to provide the initial capital investment and funding for its South Carolina operations. David F. Taylor is the financial contact person for the Company. He can be reached at (972) 964-9748 in Dallas, Texas.

Mr. Wetzel testified that PF.Net's key management team has strong backgrounds in the telecommunications industry. He said a number of them have been involved in start-up companies. The officers of the Company and their titles are as follows: Tony Martin (President and Chief Operating Officer), Donald W. Bolar (Chief Executive Officer), Matt Wetzel (Vice President), Phillip D. Wright (Vice President, Secretary and Treasurer), and David L. Taylor (Chief Financial Officer). Mr. Martin was a Senior Vice President with MCI and its successor company, MCI WorldCom, before joining PF.Net in April of 2000. Mr. Bolar was also a Senior Vice President of MCI WorldCom before he became Chief Executive Officer of PF.Net in April of 2000. Mr. Wright's background includes numerous legal positions before joining PF.Net in November of 1999.

The Company is seeking a waiver of 26 S.C. Code Ann. Regs. 103-610 so that PF.Net can maintain its records out of state. PF.Net also requests that the Commission

allow it to maintain its financial records in accordance with Generally Accepted Accounting Principles (GAAP).

According to the testimony, PF.Net's existence in South Carolina as a provider of telecommunications services will enhance long distance competition in South Carolina. Furthermore, the testimony reveals certification of PF.Net will serve the public interest by providing South Carolina consumers with a wider choice of services and providers.

After full consideration of the applicable law, the Company's application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. PF.Net is organized as a corporation under the laws of the State of Delaware and is authorized to do business as a foreign corporation in the State of South Carolina by the Secretary of State.
2. PF.Net operates as a facilities-based and resale interexchange carrier and wishes to provide its services in South Carolina.
3. PF.Net has the experience, capability, and financial resources to provide the services as described in its Application.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to PF.Net to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, on a facilities basis and through the resale of intrastate Wide

Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for PF.Net for its interexchange services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

3. PF.Net shall not adjust its interexchange rates below the approved maximum level without notice to the Commission and to the public. PF.Net shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for interexchange services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provision of S.C. Code Ann. §58-9-540 (Supp. 1999).

4. If it has not already done so by the date of issuance of this Order, PF.Net shall file its revised tariff and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

5. PF.Net is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

6. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

7. PF.Net shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If PF.Net changes underlying carriers, it shall notify the Commission in writing.

8. PF.Net shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The annual report and the gross receipt will necessitate the filing of intrastate information. Therefore, PF.Net shall keep such financial records on an intrastate basis as needed to comply with the annual report and gross receipt filings. Be advised that the Commission's annual report for telecommunication companies requires the filing of intrastate revenues and intrastate expenses. The form the Company shall use to file annual financial information with the Commission can be found at the Commission's website at www.psc.state.sc.us/forms. The two page form the Company shall use to file this

information is entitled "Annual Information on South Carolina Operations for Interexchange Companies and AOS".

9. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. PF.Net shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The form the Company shall use to provide this information to the Commission can be found at the Commission's website at www.psc.state.sc.us/forms. Further, the Company shall promptly notify the Commission in writing if the representatives are replaced.

10. With regard to the origination and termination of toll calls within the same LATA, PF.Net shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dial parity rules established by the Federal Communications Commission, pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209).

11. By its Application and testimony at the hearing, PF.Net requested a waiver from the Commission's requirement to maintain its books within the State of South

Carolina according to 26 S.C. Code Ann. Reg. 103-610. Further, the Company requested it be allowed to keep its books and records in accordance with the Generally Accepted Accounting Principles (GAAP). The Commission grants the Company's request to waive the record keeping regulation so that its books and records may be kept at its principal office and headquarters in Washougal, Washington. The Commission also grants PF.Net the opportunity to keep its books and records in accordance with GAAP rather than the USOA.

12. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

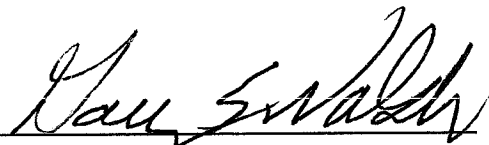
13. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:


Executive Director

(SEAL)